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FOREIGN TRADE OF PEOPLE'S REPUBLIC OF CHINA

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Ma Nai-shu, Director, Foreign Trade Institute, Chinese People's Republic

1. The Basic Problems of the Chinese People's Republic in the Transition Period and the Requirements of the First Five-Year Plan

In 1949 the Chinese people under the leadership of the Chinese Communist Party and its great leader, comrade Mao Tse-tung, completed the first stage of the Chinese revolution, ousted the imperialist forces from the continent of China, overthrew the comprador bureaucratic bourgeoisie and its power, established a democratic people's dictatorship based on the alliance of workers and peasants under the leadership of the working class which combines the various democratic strata, and created the Chinese People's Republic. Thus the fundamental question of the revolution, the question of power, has been solved.

Following the establishment of the Chinese People's Republic, the Communist Party of China and the central people's government immediately carried out a number of extremely difficult measures on the economic front. To begin with, the centralization of financial and economic operations on a countrywide scale was implemented. The country's income and expenditures were balanced, inflation was halted, prices were stabilized, and a very energetic agrarian reform was put into effect. Much work was done toward the restoration of the national economy which had been subjected to severe devastation under the domination of the Kuomintang reactionaries; a radical change was achieved in the financial and economic improvement of the country. When the restoration of the national economy was completed, the Communist Party of China lost no time in providing a precise definition of the basic problems of the state in the transition period; it posed those problems before the people of the entire country. These problems are defined in the constitution as follows. "The period between the creation of the Chinese People's Republic and the building of a socialist society is a transition period. The basic problems of the state during the transition period are the gradual implementation of the country's industrialization and the gradual completion of the socialist changes in agriculture, handicrafts industry, and capitalist industry and trade."

With a view to dealing with the historical problems of the country during the transition period, the central people's government, basing its decision on the state of the national economy prior to its final restoration, outlined the task of planned economic construction to begin in 1953 and officially published the First Five-Year Plan for the development of the national economy (1953-1957) in 1955.

The economic basis of China's national economy is still a backward one. In 1952 the value of the overall output of the modern part of industry was only 26.7% of the total output of the industry and agriculture; although China in 1952 attained or surpassed the previous highest production level in its history in regard to basic industrial products, China's heavy industry was still very weak; for example, the annual production of steel in 1952 was only 1.35 million t, pig iron 1.9 million t, electric power 7.26 billion kwh, and oil 436,000 t. We were unable to produce large machines and automobiles. Small, individually-owned farms predominated in agriculture.

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In view of this, the basic task of the First Five-Year Plan is the "creation of primary bases for the socialist industrialisation of the country by way of concentrating the main efforts on industrial construction, including 694 above-plan projects based on the 156 construction projects planned with the aid of the Soviet Union." Among the projects constructed in China with the aid of the Soviet Union are ferrous and nonferrous metallurgical enterprises, coal mines, various machine-building enterprises, oil and chemical industry enterprises, power plants and others; all of them are in the field of heavy industry. Having built these enterprises, China can produce a variety of machines, airplanes, automobiles, tractors, and other items which it could not produce before.

Socialist industrialisation will create a base for China's further development.

Foreign Trade Problems

Foreign trade is one of the integral, inalienable parts of China's national economy. According to the basic requirements of the First Five-Year Plan of economic construction, the implementation of foreign trade functions of exports and imports will guarantee the realization of the Five-Year Plan. The most important problem of the First Five-Year Plan is the establishment of a heavy industry base. It would be very difficult to establish such a base within a short period of time if we were to rely only on the resources and equipment now available in the country. To accelerate the construction tempo of China's industry, we must utilize every possibility including the possibility of purchasing abroad electrical equipment, machine tools, machines, and other goods necessary for the establishment of China's heavy industry base which we are not yet able to produce at all or cannot produce in sufficient quantities.

In addition to heavy industry, we must also develop transportation, communications and light industry in a proportional degree in the First Five-Year Plan. These branches of the economy are short of a number of types of production machinery; some of them can be produced in the country but in quantities far from sufficient to meet the current requirements, and others cannot yet be produced at all. Certain types of industrial raw materials, though already produced in the country, cannot yet fully meet the raw material requirements of the daily growing branches of industry. In view of this, the existing requirements of the mentioned types of equipment and industrial raw materials are met through imports.

Under way now in China is a powerful movement for the cooperative type of agriculture; agricultural cooperatives are developing rapidly and the production enthusiasm of the peasants has risen to new heights. The changes taking place in production relations have produced the need for new agricultural equipment. Particularly great are the requirements for mineral fertilizer. And since domestic production is still unable to supply this product in sufficient quantities, the existing requirements must be met through imports.

All this shows that the main purpose of imports is, first of all, to facilitate the development of heavy industry as well as transportation, light industry, agriculture, and other important branches of China's national economy.

Of great importance during the Five-Year Plan also is the importation of certain types of essential consumer goods such as kerosene, medicines, sugar, cloth, and so on. Although the importation of this type of goods

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is not the main problem, it plays a definite part both in regard to meeting the needs of the people and the stabilization of the domestic market.

In order to import, China must export to a corresponding degree. Although China's national economy is still backward, the country turns out a substantial quantity and variety of agricultural, animal husbandry, and mining industry products as well as those of the handicrafts industry. Such Chinese products as tea, beans, tung oil, bristles, wolfram ore, natural silk, and silk products have long been famous on the foreign market. Following the liberation, the production of most of these goods very rapidly reached the highest prewar level, while the production of some of them exceeded that level. On the other hand, as a result of the rapid development of a number of light industry branches, the production of many types of industrial goods has been increasing gradually. However, in view of the present domestic market capacity, some of these goods are not required in the quantities in which they are produced, while some of the other goods, which are in great demand, can be used more economically, thereby increasing the quantities for export purposes. All this constitutes a material base for the export of goods. That is why much initiative should be shown in the export of these goods. Since it is possible to pay for imports with the foreign currency realised from the sale of exports, these particular branches of production should be supported and developed. This shows that the development of exports is a very important task and that the problems in this field are enormous.

The importance of foreign trade is not limited to the fact that it greatly contributes to the solution of the domestic problems facing the country. Since foreign trade is an international exchange of goods, it also plays an important role in the solution of problems connected with foreign relations.

The Chinese People's Republic has already established economic ties of an entirely new type with the Soviet Union and all people's democracies.

Acting on the principles of internationalism, the Soviet Union is offering the Chinese People's Republic disinterested, all-round, and long-term assistance. Thanks to this aid, the construction of China's socialist economy is being carried out at a rapid pace. The people's democracies are also giving China great economic assistance. The Chinese People's Republic, in turn, does everything possible to support the economic construction in the countries of the socialist camp with the shipments of its various products. This whole-hearted assistance and close cooperation in the field of economy are the basis of prosperity of the democratic world market, an important factor contributing to the general economic upswing of all the brother countries and to the strengthening of peace in the whole world.

The first important international problem in China's foreign trade is the development and consolidation of the economic ties with the countries of the socialist camp.

The Chinese People's Republic is successfully building a socialist system of economy. However, proceeding from the principle of the peaceful coexistence of 2 systems expounded by Lenin, the great teacher of the revolution, China has been and still is engaging in active trade with the capitalist countries since the establishment of its new government. The capacity of the Chinese People's Republic market is very great. We hope to buy the various goods we need on the capitalist markets.

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The enterprise owners in the capitalist countries will be able to get their profits while the workers in those countries will have better opportunities for work which will diminish the threat of unemployment. These economic ties may improve the opportunity for drawing the peoples of those countries and the Chinese people closer together and for reaching a better mutual understanding which will contribute to an easing of international tension. Guided by these basic premises, the government of the Chinese People's Republic and the Chinese people are striving for an active and energetic development of trade with capitalist countries. This is the other important international problem in China's foreign trade.

3. The Role of Foreign Trade in the Development of the National Economy

Thanks to the correct leadership of the Communist Party of China and the central people's government of the Chinese People's Republic, the country's foreign trade problems are being successfully solved. In the first 3 years following the liberation of China, its foreign trade played a big part in the restoration of the national economy. In the next 3 years it also played an active part in the implementation of the plans for the first 3 years of the First Five-Year Plan for national economic development.

China's foreign trade turnover has been increasing from year to year. Taking the 1950 foreign trade turnover as 100%, the 1953 turnover jumped to 181%. In 1954 China's foreign trade turnover was more than double the 1950 volume; in the first 3 quarters of 1955 it was 15.1% larger than during the corresponding period of 1954. According to the Five-Year Plan, the 1957 foreign trade volume is to be 56.5% greater than in 1952. The steady expansion of China's foreign trade volume reflects the upswing of industrial and agricultural production in the country as well as the further strengthening of its economic ties with different countries of the world.

It should be pointed out that China's exports and imports have been substantially balanced since 1950. This shows that the ties between China's national economy and that of other countries are quite normal and sound. The conditions characteristic of old China under which imports exceeded exports over long periods of time have been eliminated for all time.

The part of foreign trade in the national economy is determined not so much by the quantitative volume of imports and exports as by the type of the imported and exported goods. The bulk of China's imports over a number of years has consisted of means of production. Only 10% of it consists of consumer goods.

In China's imports of producer goods the value of machine aggregates has been increasing from year to year. The importation of sets of equipment in 1951 was more than 33 times greater than in 1950. This is how it grew in the subsequent years (1951 = 100).

1952	286.3
1953	477.1
1954	993.9

No less remarkable is the rapidly increasing import volume of various machine tools, electric generators, and other types of industrial equipment.

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The construction and rebuilding of various industrial enterprises call for a corresponding increase in production materials. Although China's potential production of industrial raw materials is very great, it still must import a variety of raw materials such as nonferrous metals, rolled steel, oil, rubber, and others including cotton. Despite the fact that China's cotton production has long since exceeded the prewar level, we still have to import cotton every year, since China's production is as yet unable fully to meet the raw material requirements of the country's rapidly expanding textile industry.

Thanks to the large-scale imports of equipment, particularly sets of equipment, China's industry was quickly restored and began to develop at a swift pace. In 1952 the value of the gross output of China's modern industry was 178.6% as compared to that of 1949. In 1954 the value of the gross output of the industry (not including the output of the industrial cooperatives of the handicrafts industry or of the individual handicrafts workers) was 17% above the 1953 level, and the production of the means of production was increased by 20%. The output of means of production in 1954 was 42% of the gross industrial output. Over 300 very important industrial projects were built, rebuilt, and under construction in 1954 alone; 19 of the 156 enterprises under construction with the assistance of the Soviet Union were fully or partially completed and put in operation. China is now able to produce many types of important industrial products which it could not produce before. It can produce seamless steel pipes, high-test carbon steel, alloyed steel, heavy steel rails and others -- and the quality of production is steadily improving. In 1954 China was able to produce, unassisted, more than 1,900 types of important machines and electric devices, including 6,000 kw hydroturbines, 110,000 v transformers, universal lathes with a maximum cutting speed of 1,500 rpm, and others. The large quantities of machinery China imported enabled us to build many new light industry enterprises in various parts of the country, such as the Harbin Flax Combine and a number of cotton weaving mills.

The above facts and figures show that China's import trade contributes to the development of production and the construction of a socialist economy in the country. All this is as different as day from night when we compare the situation to the conditions prevalent in old China when the imports of large quantities of consumer goods and luxury items led to the stagnation and ruin of domestic industry enterprises.

Agricultural products are the chief items of Chinese exports. The sale of exportable products by the peasants has greatly increased their purchasing power. This made it possible for them to acquire increasing quantities of the production facilities needed for the development of their economy as well as essential industrial goods which insured a higher living standard for the rural population and, to a considerable degree, consolidated the alliance of workers and peasants.

It should be pointed out that the volume of China's exported industrial goods has been appreciably increased in the past 1-1/2 to 2 years. It is already possible to export large quantities of such industrial goods as cotton cloth, steel wire, nails, thermos bottles, and certain other items. In 1955 China began to export to many Southeast Asian countries a variety of industrial goods which had never been exported in the past: thin sheet metal, steel of various shapes, cast iron pipes, potassium chloride, white zinc, stained paper, and others. These goods are favored by the customers. Take the export

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through the port of Shanghai alone, for example. About 2,000 different types of industrial goods have been exported through that port between the second half of 1954 and now. Along with other goods, China began to export also certain sets of light industry equipment, particularly of the textile and match industries. The trade agreement we recently concluded with Egypt also testifies to the fact that the export of China's industrial goods is already playing an important part. According to preliminary figures summed up in 1955, the value of the export of industrial goods amounts to 1/3 of China's total export value.

Such a change in the types of China's export goods not only reflects the speed of industrial development in the country but also shows the increasing possibilities of acquiring foreign currency which, in turn, enhances China's solvency in foreign trade.

In view of the necessity of developing China's heavy industry -- our most important task -- the volume of our imports will be increasing from year to year. This, in turn, calls for an all-round increase in the volume and range of exported goods. We already have great possibilities for that. China's foreign trade officials are now working to expand the volume of exportable goods and improve the procurement organization and the quality of such goods. At the same time the Chinese people are making every effort to economize in the use of exportable goods, as they understand the importance of exports to the socialist industrialization of the country. This economy however does not affect the living standard of the people.

4. The Socialist Transformation of Foreign Trade

Before the liberation 80% of China's foreign trade was in the hands of the imperialists. The bureaucratic comprador bourgeoisie was in collusion with the imperialists and, backed by the government, seized part of the foreign trade, while the national bourgeoisie was at a disadvantage in foreign trade. Following China's liberation, the overwhelming majority of the imperialist elements fled; the foreign trade enterprises of comprador capital were confiscated. A policy of government restrictions was adopted toward the foreign-trade enterprises of the national bourgeoisie and a small number of foreign concerns which abided by the law.

In 1949 all the most important ports were liberated, one after the other, and the government opened several government foreign-trade companies. These companies have been frequently reorganized and expanded in the past 6 years in keeping with the growing foreign trade. There are 15 central companies at present; 14 of them, except the transportation company, are built on the merchandising principle. The branches of these companies, located in every part of the country, combine to form an enormous state socialist foreign-trade network. The state companies are successfully solving the problems facing China in the field of foreign trade.

A desperate class struggle between the forces of socialism and capitalism has been raging in the field of foreign trade over a period of 6 years. This class struggle is part of the general struggle between the 2 economic systems -- socialism and capitalism -- taking place in the country. On the basis of the results of this economic warfare between the 2 systems to date, one may say that the forces of socialism will win over the forces of capitalism. The changes that occurred in the relative strength of these 2 forces in the foreign trade volume may be illustrated with the following figures (in %).

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	Volume of state sector	Volume of private sector
1950	68.35	31.65
1951	83.18	16.82
1952	91.79	8.21
1953	92.12	7.88
1954	98.17	1.83

The state foreign trade enterprises already enjoy an absolute superiority not only in the quantitative volume of exports and imports. The list of imported and exported goods also shows that the position of these enterprises has been strengthened. The trade in all basic export and import goods which are important to the national economy is in the hands of the state enterprises. In addition, the state enterprises have from the very beginning monopolized the country's trade with the Soviet Union and the people's democracies; this insured the indisputable leading position of the state enterprises in foreign trade; this, also, improved their service to the cause of building a socialist economy in the country.

In regard to a very small number of capitalist foreign trade enterprises, not yet fully reorganized, the government continues its policy of "utilization, restriction, and transformation" which is designed gradually to change these capitalist enterprises into state capitalist enterprises of a semisocialist nature and later into fully socialist enterprises. The complete transformation of the capitalist foreign trade enterprises into socialist enterprises is a matter of the very near future.

5. Changes in Foreign Trade Distribution by Countries

The changes in foreign trade distribution by countries is of enormous importance to new China. When the Chinese People's Republic was formed, the single world market broke up and a new democratic world market emerged next to the capitalist one. The Chinese People's Republic became one of the major members of the democratic world market. This can be proved by the following figures on the changes in the part played by the various countries in China's foreign trade (in %):

	1950	1951	1952	1953
Total of the Chinese People's Republic's foreign trade turnover	100	100	100	100
Soviet Union's part of the total value of the foreign trade turnover	30.89	48.72	57.34	56.39
Part of the East European people's democracies in the total value of foreign trade turnover	1.99	13.24	19.02	16.58
Part of the Asian people's democracies in the total value of foreign trade turnover	0.60	1.32	1.72	2.52
Part of the capitalist countries in the total value of the foreign trade turnover	66.52	36.72	21.92	24.51

It may be seen from the above figures that China's trade with the Soviet Union and the people's democracies accounts for the major part of China's foreign trade; this trade is developing at a very rapid tempo. Thus if China's trade with the USSR and the countries of the people's democracy in 1950 is taken as 100%, its 1953 volume was 400% and its 1954 volume was 500%. This new type of trade relations is based on the equality of rights and mutual advantage of both parties and on mutual aid

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and cooperation, which are implemented according to the possibilities and requirements of both sides. For some years now the Soviet Union and the East European people's democracies have been supplying China with large quantities of equipment, machines, and other materials necessary for the various branches of construction. China, in turn, has been supplying the Soviet Union and the people's democracies of East Europe with important agricultural and mining products as well as other goods necessary for popular consumption. The assistance received from the Soviet Union in the equipping of the 156 industrial installations is of particular importance. All the equipment and materials for these projects are imported by China from the Soviet Union. The very fact of such large-scale aid being offered in such a comparatively short period of time sets a new precedent in the history of international economic relations.

Under the old Chinese regime, the volume of USSR trade with China was unusually small. In the 20 years between 1917 and 1936, the Soviet Union's trade with China reached its peak in 1928 when it amounted to only 5.41% of China's total foreign trade; in some years it was even below one percent. China's trade with Poland, Czechoslovakia, Hungary, Rumania, and the other countries of East Europe was quite insignificant prior to China's liberation.

New China's trade with the Asian people's democracies has also been rapidly developing in recent years. China, the Korean Democratic People's Republic, and the Democratic Republic of Vietnam are brother countries which share their joys and troubles with each other and are tied together in friendship which was tested in hardship. The Korean and Vietnam peoples have already made an outstanding contribution to the cause of the struggle against imperialism and for national liberation and independence. Their struggle is of great importance to the Chinese people; that is why China's relations with the Korean Democratic People's Republic and the Democratic Republic of Vietnam have been growing closer from year to year.

China's economic ties with the Mongolian People's Republic have also been growing stronger from year to year. The comparatively recently commissioned China-Mongolia-USSR railroad has produced good opportunities for the further development of Chinese-Mongolian economic relations.

China's trade with a number of Southeast Asian countries -- India, Ceylon, Burma, Indonesia, and Pakistan -- has also been steadily expanding in recent years. The expansion of this trade is definitely important to the development of the Southeast Asian countries' economy and to the consolidation of their national independence; it plays a significant part in the construction of a socialist economy in China. China's trade relations with these countries have been steadily expanding since the Bandung Conference of 1955.

The recently signed trade agreement between China and Egypt laid the foundation for the normal development of Chinese-Egyptian trade.

China's trade relations with the countries of Western Europe have been gradually restored and the trade volume with these countries has been increasing from year to year since the 1952 Moscow Economic Conference. This shows that not only China is actively working for broader economic ties with the Western European countries, but also that the industrialists of those countries are greatly interested in trade with China. Incidentally, those who are trading with China have already been convinced of the advantages of this trade.

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China took an active position also in regard to trade with Japan. The Japanese people are now making great efforts to trade with new China. The economic ties of these 2 countries -- China and Japan -- could be highly advantageous for their economic life. The prospects for trade between China and Japan are therefore quite promising.

All that however does not mean that the restoration and development of trade between China and the different capitalist countries is proceeding quite smoothly; this trade in general has been opposed by the imperialists for a number of years.

China cannot ignore the fact that the US "embargo and blockade" policy is affecting China's trade relations with the capitalist countries. However these artificial barriers will in the long run not be able to hold back the mighty will of the peoples of all countries who demand the development of international economic relations and the maintenance of a stable and lasting peace in the whole world. The "blockade and embargo" policy has been rebuffed by the peoples of the various countries.

The Chinese People's Republic is steadily striving for trade with all countries based on the principle of equal rights and mutual advantage, mutual respect for sovereignty and scrupulous implementation of commitments. This has been confirmed by past practices and will be confirmed on more than one occasion in the future.

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